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Audit Committee Characteristics and Audit Report Lag: Evidence from the Iran

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Abstract

The purpose of this research was to empirically examine the effect of independence, size, expertise, and gender of the audit committee on audit report lag in firms listed on the Tehran Stock Exchange (TSE). Using unique data from Iran for a 5-year period between 2016 and 2020, the results showed that financial expertise and independence of the audit committee have a significant negative effect on audit report lag. This suggests that more experts and non-executive members on the audit committee minimize audit report lag and reduce the timeliness constraint that dominates the qualitative characteristics financial information. The results also showed the significant positive effect of audit committee gender on audit report lag, while there was no significant relationship between the size of the audit committee and audit report lag, indicating that the quality of the audit committee is more important than its quantity.

Keywords: Audit committee, Audit report lag, Timeliness, Information disclosure.

1 | Introduction

Macroeconomic capital is a major source of economic growth. The stock market plays a critical role in economic development, and some economists believe that differences between developed and undeveloped economies is more due to financial and monetary markets than advanced technology markets that are often overlooked in undeveloped countries. Audited financial statements are a reliable source of information for users. Accounting information should be timely in order for it to be useful to financial decision makers. Due to untimely disclosure of information, important events that could radically alter the future of an entity go unnoticed. Timeliness is a fundamental characteristic of the financial reporting of information to agents that enables them to make informed decisions about the entity. Information potentially loses relevance with age, and extended delays in the availability of financial statement information render the information less useful for economic decision making [23]. Timeliness is also a fundamental component of general purpose financial reporting. Research has shown that timely financial reports add value to the content of the information and increase the value of the firm [17]. The length of the annual audit is the most important determinant of the timeliness of a firm's financial reports [31] and [40]. Studies have shown

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that reporting delay can significantly reduce the quality of accounting information. It also leads to information asymmetry and increases uncertainty regarding investment evaluations and expected payoffs [20].

Although there is an extensive and rich literature on the determinants of audit report lag, most studies have focused on firm characteristics (e.g. size, profitability, internal control, and industry type), audit function features (e.g. risk and audit complexity), and characteristics of independent external auditor (e.g. audit firm size, expertise, and non-audit services). The present research contributes to the literature in several ways. First, the majority of studies on emerging markets have focused on the effect of corporate governance structure on audit report lag, while the board of directors maintains overall responsibility for financial statements and published information. The audit committee plays an important role in disclosures and internal control of the firm as a regulatory mechanism. Secondly, to our knowledge, there is no research on the effect of audit committee characteristics on audit report lag in Iran, and the present research aims to fill this gap and provide more insights into this problem. Therefore, the present research investigates a new topic in the emerging economy of Iran as the second largest economy in the Middle East and North Africa (MENA) region with unique corporate leadership styles due to its cultural, ethnic, and religious differences [51]. Since the audit committee must be comprised of non-executive board members, the results of the present research can provide useful insights regarding the essential characteristics of an audit committee.

Shareholders cannot provide constant oversight over the management and thus the board of directors assigns this responsibility to the audit committee to ensure financial reporting integrity [28]. Reformists, regulators, investors, and scholars continuously emphasize the need to delegate central oversight, accountability, and monitoring of the financial reporting process to an audit committee. An audit committee consisting of independent board members is the primary means by which the board of directors discharges its financial reporting responsibilities. Corporate governance, new regulations and best practice guidelines introduced over the last few decades have reinforced the role and responsibilities of the audit committee in the financial reporting process. Many recent regulations suggest that improving the timeliness of financial reports is a high priority for most users and regulators [29]. Emergence of the audit committee's importance is likely to directly influence the actions and activities of the external auditor, including time taken to issue the audit report [51]. The audit committee plays the role of liaison between the board of directors, the management, and internal and external auditors [24]. Review of the literature on audit committees has shown that effectiveness of the audit committee is essentially a function of its characteristics [4] and [16]. Therefore, the right mixture of experience and expertise is necessary to support the audit committee in carrying out its responsibilities effectively [43].

In the present research, data is collected for the period 2012-2015 using content analysis of existing financial information and software packages. Using panel data, the results show that there is a significant negative relationship between financial expertise and independence of the audit committee and audit report lag. Also a significant positive relationship is found between audit committee gender and audit report lag. However, no significant relationship is found between audit committee size and audit report lag. The present findings have several implications for firms and other emerging economies similar to Iran. First, the results highlight the benefits of reducing audit report lag to managers so that they would consider it in their strategic plans. Secondly, by increasing the financial expertise, independence, and gender diversity of the audit committee, companies can enhance the timeliness of audit reports, facilitate user decisions, and increase the overall efficiency of the reporting process.

This article is organized as follows. Section 2 provides the literature review and the hypotheses of the research. Section 3 provides the procedures for sampling and calculation of variables as well as the descriptive statistics. Section 4 presents the empirical results, and finally, Section 5 provides a summary and the conclusion.

2 | Literature Review and Hypothesis Development

2.1 | Audit Report Lag

From a utility perspective, annual financial information must have utility for decision making by inves-tors and creditors. Financial and non-financial information is useful when it is timely and has predic-tive value. Time lag in financial report release and audit delay are intertwined and used interchangeably in financial reporting literature [41]. Empirical evidence shows that timeliness of audit reporting is significantly associated with the timeliness with which companies release their fi-nancial statements [47] and [41]. Audit report lag is defined as the dif-ference in number of days between the end of financial year and the day the external auditor signs the audit report. Identifying the determinants of audit report lag is important for two reasons: first, it adds to our understanding of the financial reporting process [8], and secondly, audit report lag is directly related to timely earnings announcement [31].

Timely release of financial reports has traditionally been viewed as an indicator of quality financial reporting [30]. Financial statements must be available to the public within a reasonable period after the end of the fiscal year; otherwise, the usefulness of the information is undermined. Less delay in issuing financial statements allows users to make better deci-sions [6]. Timely release of information is critical in places like the capital market where the financial information of firms is a primary source of information for shareholders. For inves-tors, timely reporting reduces uncertainty in decision making and the asymmetric dissemination of financial information [7] and [36].

2.2 | Relationship between Audit Committee and Audit Report Lag

Companies need the board of directors and its different committees for operation, dissemination, re-search, and accountability. Corporate governance responsibilities are delegated to different depart-ments of an organization. The board of directors, executive management, and internal and external auditors are the foundation of effective corporate governance, but no committee adapts to and focuses on the objectives of corporate governance better than the audit committee. The audit committee is defined as a committee established by and amongst the board of directors of an issuer for the purpose of overseeing the accounting and financial reporting processes of the issuer and audits of the financial statements of the issuer [56]. The audit report is a guarantee as to the sound-ness of the company and audit committee has the potential to improve the quality of financial report-ing by reviewing financial statements on behalf of the board [21]. Financial and non-financial information is useful when it is timely and has predictive value and can add to the in-formation content of financial statements. The increase in the reporting lag reduces the information content and relevancy of the documents [3]. As noted earlier, the audit committee is one of the key elements in the overall corporate governance structure of a firm, especially in terms of audit quality and monitoring of financial reporting [50]. Emergence of the audit committee's importance is likely to directly influence the actions and activities of the external auditor, including time taken to issue the audit report [51]. The relation-ship between the audit committee and timeliness of financial reporting is based on this logic that if the audit committee has an effective oversight in the financial reporting process, it can affect the quality and, consequently, the timeliness of financial statements [5].

Sultana [52] examined the relationship between audit committee characteristics and audit report lag in 100 firms listed on the Australian Securities Exchange (ASX). The results indicated that audit committee financial expertise, prior audit committee experience and audit committee independ-ence were negatively associated with audit report lag. Sultana et al. [51] investigated the relationship be-tween audit committee characteristics and accounting conservatism in Australian firms between 2004 and 2012 and found that audit committees act as effective monitoring mechanisms in restricting man-agement's opportunistic behavior. Alzeban and Sawan [5] examined the relationship between audit committee characteristics and perceptions of the implementation of internal audit recommendations in a sample of UK-listed companies. The results showed that perceptions of the implementation of internal audit recommendations are significantly related to audit committee independence and mem-ber's expertise in accounting and auditing.

Also perceptions of implementing internal audit recom-mendations were significantly related to the frequency of audit committee meetings. Blankley et al. [17] examined the relationship between future financial statement restatements and audit report lags. The results showed that firms that restate their financial statements have longer audit report lags compared to others. By examining the factors that may undermine additional audit effort and influ-ence the relationship between audit report lag and subsequent restatements, they showed that time pressure is associated with higher probability of financial restatements. Kikhia [37] examined the effect of the characteristics of the board of director and of the audit committee on audit fees in 112 companies listed on the Amman Stock Exchange (ASE) between 2010 and 2012. The results showed that there is a significant positive relationship between external audit fees and board independence, expertise and size. Mouna and Anis [46] investigated the relationship between the timeliness of financial reporting and corporate governance proxies for companies listed on the Tunisian Stock Ex-change during 2009. They found that ownership concentration, CEO duality, and good news affect the timeliness of the release of financial statement information to the public. Bonsón Ponte et al. [19] examined the factors that determine delays in the signing of audit reports. Studying 105 com-panies listed on the Spanish stock market between 2002 and 2005, they found that classification to sectors that are subject to regulatory pressure (e.g. the financial sector) and the size of the company affect audit report delay. They showed that larger firms sign the audit report in a shorter period of time. Bayat and Aliahmadi [13] analyzed the determinants of audit report lag in 59 firms listed on the Tehran Stock Exchange (TSE) between 2003 and 2010. They found that firm size, auditor opinion, man-agement change, and percentage of institutional ownership are negatively associated with audit report lag. However, the presence of internal auditor, number of shareholders and exceptional items were found to be positively associated with audit report lag. Barzideh and Madanchi [10] examined the effect of audit committee expertise on audit report lag in 167 Iranian firms between 2007 and 2011. They found that industry-specialist auditors issue their reports earlier. The audit committee is a sub-committee of the board of directors with the key responsibility for monitoring the corporate reporting processes [16] and [42]. It is a significant corporate governance mech-anism for reducing information asymmetry and improving disclosure quality [4] and [9]. Prior literature suggests that the audit committee's effectiveness is a func-tion of its characteristics [4]. The right mixture of experience and exper-tise is necessary to support the audit committee in carrying out its responsibilities effectively [43].

2.3 | Audit Committee Independence

An audit committee should be independent from management in order to be able to conduct effective monitoring and reduce opportunistic management behavior (e.g. delayed financial reporting). An audit independent committee member has no family or material relationship with the firm [48]. The quality and credibility of financial reporting can be adversely affected when the audit committee has little or no independence [34]. One of the primary objectives of the audit committee is to give unbiased views on corporate financial information, and audit committee independence con-tributes to the corporate financial reporting quality [38]. It has been argued that audit commit-tee members that are independent from the management and ownership of the firm can curtail the magnitude of earnings management [39]. Independence a fundamental feature of the audit committee that affects its effectiveness in monitoring the financial reporting process. An independent audit committee is in the best position for monitoring the financial reporting process and are more capable of resisting management pressures for earnings management [11] and [12]. Audit committee independence is of special interest to reformists, regulators, and scholars [18] and [1]. Agency theory and resource dependency theory argue that an audit committee with a higher proportion of outside directors is less likely to be compromised in un-dertaking the subcommittee's roles and responsibilities. Moreover, a more independent audit commit-tee is likely to be better able to enhance key financial accounting issues such as earnings quality, deal-ings with the external auditor, and mediation of disputes due to a lack of bias [39] and [15]. Given these arguments, the following hypothesis is proposed:

H1: There is a significant relationship between audit committee independence and audit report lag.

2.4 | Audit Committee Expertise

The expertise of audit committee members in accounting and auditing is another characteristic that is related to committee effectiveness and has been extensively examined in the literature. Studies have shown that effective oversight by the audit committee requires members to possess sufficient knowledge of accounting and auditing to reach an independent assessment of matters presented to them [14].

Audit committee expertise is needed to ensure the external auditor's work is competently under-taken, develop more effective internal controls and risk management processes, comprehend audit judgements, and understand and mediate disagreements between auditors and corporate management [44]. Audit committee members with financial reporting and audit knowledge can make better judgements [27]. Without a specific level of expertise, it is hard for audit committee members to sufficiently understand the financial information they are required to assess. In addition, directors with financial knowledge are more informed about their duties as well as the legal requirements surrounding financial reporting [53]. There are recent calls for completely independent audit committees whose members are financially literate [14]. In support of audit committee expertise, the resource dependency theory argues that the presence of financial experts on the audit committee enables it to have greater power over financial accounting information and audit judgements. Without financial expertise, the audit committee heavi-ly relies upon the external auditor providing assurance to external decision makers about the reliability and relevance of key financial information [26]. Given these arguments, the following hypothesis is proposed:

H2: There is a significant relationship between audit committee financial expertise and audit report lag.

2.5 | Audit Committee Size

A large audit committees can increase the effectiveness of the committee by including members with varied expertise and thus provide more intense oversight of the financial reporting process [22]. The Blue Ribbon Committee [18] recommends that the audit committee be comprised of a minimum of three directors. Agency and resource dependency theories differ on the effect of the size of the audit committee on its effectiveness. According to the agency theory, group dynamics and co-hesion is enhanced in a smaller audit committee [24] and [35]. Advocates of this theory argue that increase in the size of the audit committee undermines its control and monitoring functions. Also, there are greater chances for opportunistic behavior in a larger audit committee [45]. On the other hand, according to the resource dependency theory, a larger audit committee allows for the inclusion of members with more expertise, experience, knowledge, and connections. According to the advocates of this theory, the variety of views offered by the members of a larger committee allows it to better assess the role and responsibilities of the external auditor [27] and [61]. A larger audit committee will also be able to better resolve conflicts such as with the audit report [29]. Given these arguments, the following hypothesis is proposed:

H3: There is a significant relationship between audit committee size and audit report lag.

2.6 | Audit Committee Gernder

Agency and resource dependency theories differ on the potential effect of audit committee gender on audit report lag. According to the agency theory, the audit committee's effectiveness depends upon group cohesion. Literature on gender diversity suggests that women are more financially conservative, ethically bound, and risk-averse than men [49]. These differences can signifi-cantly affect financial accounting and auditing and undermine cohesion, leading to less effective and efficient decision-making and corporate governance [49]. Gender differences can also lead to the formation of majority and minority sub-groups, which reduces the audit committee's effectiveness. On the other hand, resource dependency theory suggests that diversity within a group opens the door to different ideas, views, and experiences. As a result, key corporate governance mech-anisms such as the audit committee can consider a broader spectrum of financial accounting issues, thereby reducing the chances of fraudulent accounting practices [33].

According to re-source dependency theorists, boards of directors and sub-committees that lack gender diversity are prone to groupthink mentality. This mentality can lead to major flaws in assessing and dealing with the sub-committee's tasks [32]. Given these arguments, the following hypothesis is proposed:

H4: There is a significant relationship between audit committee gender diversity and audit report lag.

3 | Methodology

This study is an applied research with a descriptive, ex post facto design. Data are collected for the period 2016-2020 through content analysis of the financial statements of firms listed on the TSE as well as the software package provided by TSE. Multivariate linear regres-sion with panel data is used for data analysis in EViews 8 software.

3.1 | Sample Selection

The sample of the research is selected using systematic sampling. The eligibility criteria are:

I. Firms whose fiscal year ends on March 20 (end of Persian calendar) and does not change within the studied period.
II. Firms that are not financial intermediaries, banks, or leasing companies.
III. Firms with uninterrupted trade on the TSE within the studied period.
IV. Firms with fully available financial information.

Based on these criteria and given the fact that the establishment of an audit committee in TSE-listed firms has been required by law since 2016, 61 firms are selected as the sample.

3.2 | Regression Models

The following multivariate regression model is used to test the hypothesis [51]:

$$\begin{aligned} ARL_{it} = \beta_0 + \beta_1 F\_Expertise_{it} + \beta_2 Female_{it} + \beta_3 Size_{it} + \beta_4 Independence_{it} \\ + \beta_5 LnAssets_{it} + \beta_6 Leverage_{it} + \beta_7 Growth_{it} + \beta_8 Risk_{it} \\ + \beta_9 FirmSize_{it} + \beta_{10} B\_Size_{it} + \delta_{it}. \end{aligned} \tag{1}$$

Dependent variable. ARL denotes the audit report lag, calculated as the number of days from the end of financial year to the day the external auditor signs the audit report [41] and [42].

Independent variables.

I. F_Expertise denotes financial expertise, a dummy variable that takes the value of one if at least one director of the audit committee has financial expertise, and zero otherwise.
II. Independence denotes audit committee independence, a dummy variable that takes the value of one if the majority of the audit committee are independent directors, and zero otherwise.
III. Size denotes the size of the audit committee, a dummy variable that takes the value of one if the majority of the audit committee are independent directors, and zero otherwise.
IV. Female denotes the presence of female members in the audit committee, a dummy variable that takes the value of one if at least one director of the audit committee is female, and zero otherwise.

Control variables.
LnAssets is the natural logarithm of the book value of total assets and a measure of firm size. Larger firms are expected to receive higher quality audit services. However, due to the complexity of the financial reports of these firms, audit services usually take longer to complete.

I. Leverage is the ability of a company to repay its debt obligations. It is calculated as total debt divided by total assets. Firms with higher leverage may have longer audit report lags.
II. Growth is the market-to-book ratio measured of a firm measured as a ratio of market value of equity to book value of equity.
III. Risk is the ratio of current liabilities to current assets. Since more time and effort is allocated to auditing firms that are perceived to have a higher risk, audit report lag is expected to be more extended in these firms.
IV. FirmSize is the size of the audit firm. In Iran, the National Audit Organization is the largest audit organization with a large number of employees and a wide range of services. This dummy variable takes the value of one if for firms audited by this organization, and zero otherwise.

B_Size is the number of members on the board of directors.

4 | Results

4.1 | Descriptive Statistics and Correlations

Table 1 shows the descriptive statistics, including the number of observations, mean, median, and maximum and minimum values. The data show a mean audit report lag (ARL) of 77 days, indicating an extended reporting lag in the studies firms. The median ARL is 79 days, and the minimum and maximum ARL are 18 and 134 days respectively, indicating the difference in reporting lags of the studied firms. The descriptive statistics show that the selected sample is varied enough and the results can be generalized to the population.

Table 1. Descriptive statistics.

Variable	Mean	Maximum	Minimum	Std. Dev.
Audit Report Lag (Arl)	77.04	134	18	29.19
Audit Committee Financial Experience (F_Expertise)	0.9756	1	0	0.15
Audit Committee Gender (Female)	0.0721	1	0	0.26
Audit Committee Size (Size)	0.1626	1	0	0.37
Audit Committee Independence (Independence)	0.9756	1	0	0.15
Natural Log of Total Assets (Lnassets)	14.759	18.91	11.56	1.78
Financial Leverage (Leverage)	0.251	0.852	0.026	27.39
Growth (Growth)	3.5414	9.521	0.59	10.93
Risk (Risk)	0.8250	2.43	0.09	0.42
Audit Firm Size (Firmsize)	0.389	1	0	0.46
Board Size (B_Size)	5.1382	7	5	0.41

Table 2. Correlation analysis for detecting multicollinearity.

	ARL	F_Expertise	Gender	Size	Independence	FirmSize	LnAssets	Leverage	Growth	Risk	B_Size
ARL	1										
F_Experience	0.151	1									
Gender	-0.014	0.049	1								
Size	0.125	0.070	-0.016	1							
Independence	0.268	-0.025	0.049	0.070	1						
FirmSize	0.086	0.107	0.077	0.068	0.107	1					
LnAssets	0.392	0.230	0.003	0.395	0.218	0.205	1				
Leverage	0.187	0.096	-0.140	-0.096	0.102	0.184	-0.039	1			
Growth	-0.038	0.122	-0.008	-0.210	-0.190	0.146	-0.118	0.072	1		
Risk	0.013	0.141	-0.013	0.258	0.171	0.227	0.181	0.411	-0.194	1	
B_Size	0.267	0.072	-0.142	-0.113	0.073	-0.168	-0.219	-0.017	0.139	-0.23	1

As the results show, the pairwise correlations between the variables do not exceed the critical threshold and thus the problem of multicollinearity is not a concern.

4.2 | Regression Analysis

Before model estimation, the Chow test is used to select between pooled and panel data and to determine whether there is a separate intercept for each firm. In this test, the null hypothesis for equal intercepts (pooled data) is tested against the alternative hypothesis for different intercepts (panel data).

$$\begin{cases} H_0: & \alpha_0 = \alpha_1 = \cdots = \alpha_n = \alpha \\ H_1: & \alpha_i \neq \alpha_j' \end{cases}$$

$$F_{(n-1,nt-n-k)} = \frac{(RSS_R - RSS_{UR})/(n-1)}{RSS_{UR}/(nt-n-k)}. \qquad (2)$$

If the calculated F value is greater that the threshold with (n-1) and (nt-n-k) degrees of freedom, the null hypothesis is rejected and different intercepts must be considered in estimations.

Table 3. Results of the Chow test.

	F Statistic	Prob.	Method
Chow Test	3.449	0.0006	Panel data

Given that the test probability (0.0006) is less than the 0.05 significance level, the null hypothesis is rejected and panel data is the preferred method for estimation. Next, Hausman test is used to select between fixed and random effects models. If the calculated probability is less than 0.05, a fixed effects model is used at the 95% confidence interval. Otherwise, a random effects model is used.

$$\begin{cases} H_0: & \text{random effects } (p > 0.05) \\ H_1: & \text{fixed effects } (p < 0.05) \end{cases}.$$

Table 4. Results of the Hausmantest

	F Statistic	Prob.	Method
Hausman Test	2.437	0.0002	Fixed effects

Given that the calculated probability (0.0002) is less than the 0.05 significance level, a fixed effects model is preferable to a random effects model.

4.3 | Estimation Results

The results of estimating the model are provided in the following table.

Table 5. Results of model estimation (dependent variable: audit report lag).

Variable	Coefficient	t-statistic	Prob.
C	0.0117	12.4950	0.0018
Independence	-0.3823	-2.6978	0.0044
F_Expertise	-0.5499	-2.7255	0.0081
Size	-0.0210	-0.2581	0.7970
Gender	0.1944	7.4322	0.0066
FirmSize	-1.0438	-6.1610	0.0000
LnAssets	0.0978	4.5870	0.0000
Leverage	2.3085	0.8450	0.0690
Growth	0.6043	3.2650	0.0018
Risk	-1.7935	-0.2926	0.0706
B_Size	1.9126	18.2797	0.0046
R^2 = 0.79; Durbin-Watson statistic = 2.37; F statistic = 74.52; F probability = 0.000			

Given the calculated F statistic (74.52) and probability (0.000), we can argue that the model fits the data

and is significant at the 95% CI. The coefficient of determination (R2) indicates that more than 79% of changes in the dependent variable (audit report lag) can be explained by the independent vari-ables of the model. In addition, the Durbin-Watson statistic is 2.37, which indicates the lack of serial correlation among the residuals.

The first hypothesis involved the relationship between audit committee independence and audit report lag. The results of model estimation show that the coefficient for this variable is -0.382 and the probability is less than 0.05 (0.0044). Therefore, the first hypothesis is confirmed and there is a signifi-cant negative relationship between audit committee independence and audit report lag.

The second hypothesis involved the relationship between audit committee financial expertise and audit report lag. The results of model estimation show that the coefficient for this variable is -0.549 and the probability is less than 0.05 (0.0081). Therefore, the second hypothesis is confirmed and there is a significant negative relationship between audit committee financial expertise and audit report lag.

The third hypothesis involved the relationship between audit committee size and audit report lag. The results of model estimation show that the probability for this variable is greater than 0.05 (0.797). Therefore, the third hypothesis is rejected and there is no significant relationship between audit com-mittee size and audit report lag.

The fourth hypothesis involved the relationship between audit committee gender diversity and au-dit report lag. The results of model estimation show that the coefficient for this variable is 0.194 and the probability is greater than 0.05 (0.0066). Therefore, the fourth hypothesis is accepted and there is a significant positive relationship between audit committee size and audit report lag.

In addition, among the control variables, the natural logarithm of total assets, audit firm size, firm growth, and board size are significant at the 0.05 level, while financial leverage (0.069) and firm risk (0.0706) are not significant at the 0.05 level.

5 | Conclusion and Discussion

Given the importance of financial reporting in listed firm, the purpose of the present research was to examine the relationship between audit committee characteristics and audit report lag in firms listed on the TSE. The hypotheses were tested using panel data and multivariate regression. Audit committee characteristics included financial expertise, size, independence, and gender diversity.

The results of testing the first hypothesis showed that there is a significant negative relationship between audit committee independence and audit report lag. That is, a more independent audit committee is associated with lower lag in audit reporting. This is consistent with the results of Sultana et al. [51]. The results suggest that presence of independent members on the audit committee plays an especially important role in the timeliness of financial reporting and increased quality of firms' financial statements. The literature on agency theory supports the presence of independent members on the audit committee as a mechanism for curtailing opportunistic behaviors of the management as pertaining to financial statements, thus improving the quality of financial reports.

The results of testing the second hypothesis showed that there is a significant negative relationship between audit committee's financial expertise and audit report lag. That is, expertise of audit committee members in finance and accounting can reduce reporting delay and increase the timeliness and quality of the reporting process. This is consistent with the results of Abernathy et al. [2] and Emeh and Ebimobowei [55]. We can argue that audit committee members with experience and expertise in accounting and auditing enhance the committee's effectiveness and increase the timeliness of audit reports as a key element of quality financial reporting. Both the agency theory and the resource dependency theory support the

presence of members with financial expertise on the audit committee for higher effectiveness and better oversight of the financial reporting process.

The results of testing the third hypothesis showed that there is no significant relationship between audit committee size and audit report lag. This is consistent with the results of Emeh and Ebimobowei [55] and Sultana et al. [51]. Finally, the results of testing the fourth hypothesis showed that there is a significant positive relationship between audit committee's gender diversity and audit report lag. This is inconsistent with the results of Sultana et al. [51]. As noted earlier, according to the agency theory, gender diversity in the audit committee may improve the committee's effectiveness. The present finding supports this notion and shows that presence of women in the audit committee reduces audit report lag.

5.1 | Implications for Practice

Based on the present findings, firms are recommended to assign reliable and independence members to the audit committee. These members should also have sufficient financial knowledge and expertise to provide more effective internal controls, comprehend audit judgements, and understand and mediate disagreements between auditors and corporate management. Managers and owners of the firm must try to play an unbiased role in selection of audit committee members.

5.2 | Implications for Research

Based on the present findings, it is recommended that future research focuses on the effect of audit committee quality on internal control and the relationship between audit committee characteristics on independent auditor selection. Researchers are also recommended to identify proper solutions for improving audit committee effectiveness.

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